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STRATEGIES FOR THE IMPLEMENTATION AND MONITORING OF AAF-SAP

SOME PRELIMINARY CONSIDERATION

TABLE OF CONTENTS

		Paragraphs
I.	INTRODUCTION AND BACKGROUND	1 - 6
II.	METHODOLOGIES FOR INTEGRATING SHORT-TERM MACROECONOMIC ADJUSTMENT INTO MEDIUM OR LONG-TERM PLANNING	7 - 14
III.	MECHANISMS OF OPERATIONALIZATION OF AAF-SAP	15 - 29
IV.	MONITORING MECHANISMS	30 - 40
	A. AAF-SAP monitoring indicators	30 - 31
	B. The need for adequate information systems	32 - 34
	C. Elements of AAF-SAP monitoring	35 - 40
V.	CONCLUSION	41 - 42

I. INTRODUCTION AND BACKGROUND

1. Against the background of indebtedness, financial imbalances, stagnation and even economic recession, which has affected most African States in the 1980s, short-term stabilization and structural adjustment policies have often taken precedence over long-term economic development policies. In the overwhelming majority of African countries, reforms and macro-economic regulatory measures were indeed implemented with the short-term objective of correcting major financial imbalances. Between 1979 and 1988, more than 30 African countries have implemented stabilization and structural adjustment programmes (SAP). The reforms imposed in these SAPs namely by the IMF and World Bank, in conjunction with the international financial community, have resulted in disengagement by the State and domestic public funding, attempts to re-direct back credit to the productive private sector and a strengthening of incentives for foreign investors (e.g. investment codes). These reforms have tended to emphasize the short-term and the correction of financial imbalances at the expense of medium-term planning.

2. Indeed, the economic and financial crisis experienced by African countries in the past decade, the rise in general uncertainity and external instability, and the severe financial constraints largely due to the explosion in debt service charges have prompted policy-makers to place the emphasis on the correction of financial imbalances, the rehabilitation and management of existing systems of production, short-term economic management and to accord the highest priority to stabilization and adjustment and macro-economic policies. Medium-term plans and long-term scenarios for structural changes in most cases were wishful thinking and the unrealistic catalogues of projects contained in the plans were out of touch with economic reality. As a result, there has been a decline in the role of medium-term planning and a decrease in investment planning.

3. There is in fact a doctrinal and procedural conflict between the economic development plans which have dominated the post-independence period and the adjustment programmes which were implemented since the early 1980s. First of all, the time frames differ: 5 to 7 years for the development plan and 1 to 3 years for the stabilization and structural adjustment programmes. Structural adjustment programmes centered on short-term macro-economic measures while the development plan emphasized structural reorientation of the economy on a medium or long-term perspective. However, in most instances, instead of implementing genuine planning (i.e. an ongoing process of economic management which endeavours to adjust to changes in the environment in order to maintain a certain course of development on the basis of priorities), African countries have generally developed medium-term plans, which of course become obsolete once the environment becomes less favourable. Since the 1970s indeed, development planning has run up against problems of inadequate information systems, instability in the international economic and financial system, and the growth of internal and external constraints such as debt-producing government deficits, crowding-out effects, the parasitic character of bureaucracies and government institutions, the high costs of substitution industries and an income distribution which bears no relation to production, debt crises, etc. For example, many countries abondoned their plan because of the shortage of foreign exchange earnings due to falls in the export prices or because of the occurence of the exegenous variables. In most cases, plans failed because of the insufficient allowance made for the motivation of economic agents and social groups.

4. On the other hand, the stabilization and the structural adjustment programmes are, first of all, responses to the inefficiency of investment projects, distortions in the pricing system and the inefficiency of the administered economy. Their primary focus on achieving internal and external balances to the neglect of the need for achieving balanced development and their very deflationary nature could not generate a sustaining growth and development. They had limited resulted because of the inadequate integration of the African economies in the international division of labour and they have incurred high social costs and political risks.

5. The fact remains that Africa must cope with rapid population growth, a high rate of urban growth, the reconstitution of ecosystems, and the development of economic and social infrastructures. To sustain economic development and growth and increased per capita income levels, it is inevitable that structural changes and transformation of the African economies should be thought about. This requires a flexible planning framework which tries to find the proper mix of short-term market forces and the medium- and long-term perspectives and to introduce organizational methods and management systems capable of ensuring a high level of efficiency and motivation of economic agents. This calls for a synthesis of long-term planning and short-term macroeconomic regulations which can be used to control development and growth.

6. The UNECA has devised a development framework and policies which can transform, diversify Africa's production capacity and increase the productivity of the investment on the basis of the internationalization of the dynamics of growth and their short-term sequencing in order to ensure that development and growth can be achieved at high and sustained levels. Such is the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP) which African Heads of State and government have adopted in July 1989 in Addis Ababa. The Heads of States and government of the Non-Aligned movement have endorsed AAF-SAP at the Belgrade meeting in September, 1989. The AAF-SAP has also currently been endorsed by the UN General Assembly in its resolution A/44/L.20/Rev.1 as the basis for mapping out African countries' development strategy. This paper attempts to provide some preliminary considerations of the strategies for implementing and monitoring AAF-SAP at the national and subregional levels. The paper first provides methodologically strategic options for integrating the short- and medium-term and long-term perspectives of the development process; secondly, it outlines mechanisms for the operationalization of the AAF-SAP at the national and subregional levels and finally spells out the steps for monitoring it.

II. METHODOLOGIES FOR INTEGRATING SHORT-TERM MACROECONOMIC ADJUSTMENT INTO MEDIUM OR LONG-TERM PLANNING

7. The implementation of medium or long-term development plans and short-term stabilization and structural adjustment programmes is a necessarily complementary process. The strategic options defined by the development plan should integrate short-term macroeconomic management and policies to provide economic guidance, thereby enabling strategic options to be translated into operating choices. For instance, the new generation of structural adjustment programmes that are to be drawn up less from a short-term financial perspective should incorporate a number of other dimensions of development (such as social dimensions, subregional dimensions, role of the endogenous sector, environmental concerns, etc.). Such a strategy, based on fair sustainable growth, aims at linking social and development objectives with the objectives of correcting financial imbalances.

8. Several planning methods or tools are available to planners to incorporate short-term macroeconomic balance into the long-term structural profiles. First of all, there is the "hard core" system of planning which incorporates high priority sectors or issues which offers adequate momentum to the development process of the country both in the short- and long-run. The "hard core" is based on the long-term development strategic choices which constitute guidelines for the development of the economy both in the short- and medium-term perspectives. For instance, the AAF-SAP hard core of the policy issues are classified into three groups: (a) strengthening and diversifying production capacity; (b) improving the level of income and the pattern of its allocation; and (c) expenditure of income for satisfaction of critical basic needs, namely those aspects of education, health and the integration of the youth and women (or the population at large) in the development process that are likely to increase productivity in both short and long-run. At the operational level, in order to ensure coordination among the various ministries and decision-making bodies, there is a need to incorporate also an institutional hard core of high priority public decision-makers.

9. After the hard core, there would be "optional components" of issues and institutions (NGOs, private sector, the public at large) arranged in order of priority, depending on conditions in the international environment and domestic progress in implementing the development plan. In this respect, use would be made of the "sliding planning" which is an extension of the Planning Programming Budgeting Systems (PPBS) method in which the plan has a sliding horizon and intertemporal choices are dictated by the employment/current resources balance (outside the capital budget) of the government budget.

10. In the sliding plan, medium-term objectives must be translated into short-term objectives and macroeconomic policy should be used as a tool for consistent check of medium-term policy management. On the one hand, medium or long-term objectives focus on the priority sectors of education, health, land use management, infrastructures, role in the international division of labour, the revival of agricultural and industrial production, and the development of communications, transportations and marketing resources. On the other hand, making allowances for unknown factors, instability and possible reverses should answer the question of how to manage changes in the orientation and short-term guidance of the economy. Integration of this kind requires translation of the medium-term plan into an annual sliding plan consistent with a government annual budget. This will require co-ordination among the various ministries and decision-making bodies such as the planning bodies, Finance Ministry and Central Bank.

11. What is important is not so much the formulation of a plan, which is simply a reference framework setting objectives for a given horizon, as the existence of an ongoing budgeting process. The planning body must work with several different timeframes and provide directions in an uncertain and random environment. The major trends which affect the long-term horizon must therefore be identified and hypotheses formulated concerning possible future movements of various external variables, thereby defining a number of long-term scenarios and translating these scenarios into the medium-term (3 years) and short-term (1 year) timeframes. It

is also desirable to return to selective policy instruments and incentive measures aimed at the productive sectors and to income redistribution policies. The revival of the productive sectors requires relative trade policies, allocation of credit on a priority basis, grants of foreign currency, and investments in agricultural and manufacturing production. Both national development planning and structural adjustment and stabilization programmes are designed within a national framework in terms of their consistency, objectives and the means used.

12. However, it must not be forgotten that interdependencies exist between different national economies and that policies undertaken in one country might affect the others. There is need therefore to take into account the interdependencies between countries' structures and the links between national economic policies and subregional integration. Development plans which incorporate short-term SAPs should be formulated taking into account the subregional or inter-country dimensions.

13. Another method to ensure the integration of short-term adjustment programmes and medium-term development plans is to use the so called "rolling plan" method. A rolling plan consist of (a) a macro-economic framework linking the growth of national income, savings, investment and balance of payments to public expenditures and revenues under different assumptions; (b) a rolling multi-annual public investment programme with phased outlays reviewed annually and (c) a fiscal plan consistent with the alternative macroeconomic assumptions including revenue forecasts, non-tax revenue forecasts, estimates of resources available from domestic and external borrowing and grants and projections of current expenditure including debt servicing, defence, administration and recurrent expenditure on development. In each year or roll-over, the portfolio of projects in the plan is subject to review on such aspects as priority rating, project execution and funding status. Ideally all the main means of economic policy corresponding to the objectives and targets of the plan should be specified in the plan document, and given more substance in terms of precise targets, instruments and outcomes in the first year of the rolling plan. Over the medium term part of the plan it may be possible only to provide a broad description of the policy measures required. In the annual statement a comprehensive, workable and consistent framework should be provided for the various economic policies. This annual policy frame should be in consonance with the medium term policy strategy.

14. Briefly, once the medium-term strategy has been defined, it is necessary to translate it into annual objectives and targets in both quantitative and qualitative terms for implementation purposes. These would embrace the annual policy objectives. The important feature of such annual objectives and targets is that some are indicative while others are binding, and all of which are to be checked for consistency at the aggregate and sectoral levels by using appropriate ratios or statistical relationships (such as elasticities, input-output tables, etc.). In such a system of annual or rolling planning, an analysis of the institutional, economic and regional implications is especially important at the level of sectoral programmes and project planning. It is mainly through the public sector investment allocations expressed in a variety of programmes and

projects that the government directly executes the development strategy drawn up in the medium-term plan. The task of the annual plan or the first year rolling plan is to break down the medium-term investment and expenditure targets by sector and according to projects. This requires strong systems of project documentation (including feasibility studies), measures of project, financial, economic and social value, and project ranking according to defined economic and social criteria. Ideally, projects should be based into those which are ongoing (carried over from earlier years), new (to be started within the plan period), and pipeline (possible projects for inclusion if more resources become available). Such a list of projects may serve a basis for current investment policy decisions (budget appropriations, credit policy, fiscal and monetary incentives income policy, etc.).

III. MECHANISMS OF OPERATIONALIZATION OF AAF-SAP

15. The momentum of the African Alternative Framework to Structural Adjustment for Socio-economic Recovery and Transformation (AAF-SAP) is now in full gear. Its cardinal these are that no programme or plan will work unless it is seen as being indigenous; that the diversity of African situations cannot all be addressed through the application of standard formulae for all of them; that the crisis overwhelming Africa must be seen first and foremost at a human one, and not merely in terms of macroeconomic disequilibrium, that developmental concerns - such as the alleviation of absysmall levels of health, nutrition, education and productivity - cannot be put on hold while resources are consumed by the need to correct economic imbalances; and that it is difficult to deny that the policies, both African and international, of the 1980s have been overwhelmingly inadequate to the task.

16. At the operational level, the ECA secretariat has already initiated four main studies relating to the AAF-SAP model-types and an in-depth analysis of some of the policy instruments of AAF-SAP so as to facilitate their smooth implementation at the national and sub-regional levels. These include (a) production subsidies for Sustainable Growth, (b) scope and limitation for differential interest rates; (c) possibilities and problems of multiple exchange rate systems. These studies are found in the documents (E/ECA/PSD.6/7) and (E/ECA/PSD.6/8).

17. The ECA secretariat is also planning a pilot sub-regional workshop on AAF-SAP for the governments of West Africa sub-region. The aim of the work which, it is hoped, will form a model for subsequent use is to popularize and operationalize AAF-SAP at the national levels and to enable countries exchange experiences and to facilitate coordination of policies at the subregional levels. Such a seminar/workshop, involving different levels of policy-makers and economic operators, will contribute to strengthening socio-economic policy design and policy implementation in accordance with the proposals and suggested prescriptions of AAF-SAP as well as to sustain the momentum already generated by AAF-SAP and prepare the way for policy re-orientation as we enter the 1990s. On the basis of the requests so far received from African governments and the consultations made, it is envisaged that the pilot seminar/workshop will be held for the West African sub-region in February/March 1990. Consultations are under way for organizing a similar workshop in the Central African subregion.

18. At the national level, the ECA secretariat intends to improve the capacity of African governments in economic policy design and implementation through the undertaking of in-depth special studies, consultancy advisory services, and training. It is more than evident now that inadequate understanding of the process of economic development and growth, shortages of capital and required skills and the weaknesses of a number of development institutions are some of the constraints that have eroded the efforts of African countries to transform their economies and launch them on to the path of self-sustaining development and growth. Thus, correcting structural imbalances without impairing the prospects for long-term, self-sustaining development constitutes the basic economic management challenge that most African governments will have to face squarely. This will require greater capacities in designing a proper mix of economic objectives and policy instruments that would enable them to set in motion the process of medium and long-term development.

19. For a number of important reasons, including the linkage between economic power and political power, the dearth of capital and the lack of investment opportunities and incentives, the African private sector has not been able to play an effective role in promoting economic development. The implementation of AAF-SAP at the national level requires a reorganization and/or realignment of the decision-making process for the design and implementation of adjustment with transformation programmes to ensure maximum cooperation between public and private sector agencies, between the government and the governed, and to mobilize popular support at the grass roots levels. First of all, there is a need to disseminate the understanding of AAF-SAP by the public at large through pamphlets, articles in journals in simple languages, public education through media and radio-TV programmes. The participation of population at the grassroots and the private sector must be ilicit using appropriate programmes and plans and ensuring that planning and programming are properly decentralized into carefully-articulated regional and local plans. Such a decentralized and participatory planning system should be flexible and seek to involve local people fully in the preparation, implementation and evaluation of adjustment programmes with transformation and projects and to strike as harmonious a balance as is feasible between the various key sectors of economic activity on the one hand, and among the various regions of the country, on the other. Accordingly, grassroots participation structures should be created or encouraged, training and awareness activities should be organized, and suitable technical and financial structures should be set up in support of the private sector's implementation of adjustment programmes with transformation.

20. There is also need to integrate the informal sector in the operationalization of AAF-SAP through fairer distribution of income, better adjustment of the educational system to the real need of the economy, better control of the rural depopulation of urban growth and solutions to the problems raised by urban population (foodstuff, housing, transport, health etc.) and promotion of national enterprises without foreign capital and without the pressure exerted by the import of capital goods on internal resources. This requires a rehabilitation of the socio-cultural environment through campaigns of information, education and training of the entrepreneurs and the provision of facilities of installations and marketing. The involvement of NGOs should also be encouraged. The indegeneous small and medium-scale enterprises should be promoted both in the urban centers and rural areas.

21. At the subregional level, the effectiveness, impact and relevance of policy used in coping with the crises and preparing the ground for sustaining long-term growth should be examined in the light of national experiences, and lessons drawn from such experiences will be cast into the future as guidance for better economic policy design from national as well as subregional and regional perspectives. The strategy, consisting of instituting the process of economic policy design from subregional and regional perspectives will generate useful complementarities in economic policy design among African countries, and contribute to laying the foundations for a harmonized approach to economic policy design, especially in view of the fact that the economic structures of the countries tend to be similar and their economic crises comparable in both their nature and magnitude.

22. It is also clear that the ad-hoc nature of policies and strategies designed essentially from national perspectives, have had the effect of clouding the vision of African decision-makers about the mutual impacts of different national economic policies on each others' economies. This phenomenon has tended to reduce the positive effects of such policies within individual national economies, without protecting them from external disturbances of regional and subregional origins. In such a context, a well coordinated exchange of experience in economic policy design and implementation among African countries represents a major step towards a comprehensive approach to African development issues, and also contributes a major step towards the economic integration of Africa through the harmonization of economic policies and strategies.

23. At subregional level, a strategy of developing a common, harmonized approach to development issues in African countries appears to be a most effective way of clearing the path to the development process and economic self-reliance proposed by the Lagos Plan of Action and a major step towards promoting institution building in the framework of a unified approach to development analysis and planning. In this respect, several studies on the coordination and harmonization of development plans and programmes at the sectoral levels and studies on structures of appropriate markets and customs unions so as to facilitate intra African trade and economic cooperation and integration are a continuous process of ECA activities.

24. The mobilization of internal and external resources is of crucial importance in the implementation of AAF-SAP. The adjustment with transformation programmes must take into account the resources constraints. While internal resources are clearly insufficient, at this stage, to achieve both simultaneously the adjustment and development goals, a satisfactory rate of development, from a long-term point of view, requires that the proportion of internal savings in total supply of resources be increased. This will provide the basis for self-sustained growth with stability and freedom from intolerable debt burdens. The stimulation of domestic savings generally requires the setting up of adequate institutions, incentive policies, and appropriate taxation. While it is certainly difficult to save when the levels of income are very low, it has been recognized that even low income countries, both in Africa and other developing regions, particularly in Asia, have demonstrated a capacity to save at least from the additional income resulting from increased production. To promote the agricultural and industrial production while constantly raising the economic efficiency of production is therefore, of vital importance to resource mobilization in developing African countries.

25. Inadequacy of financial resources has often been one of the constraints in the implementation of development plans in African countries. It is, therefore, imperative that budget bureaux and departments in every African countries look beyond the current or next fiscal year and prepare estimates of receipts and expenditures for second years ahead or for the entire plan periods. Since medium-term forecast of financial resources are tentative, the budgetary process must indicate the objectives of fiscal policies to be persued for the year to come in order to promote savings and investment in the economy as a whole in accordance with the goals laid down in the development plan. Planning of financial resources is really a budget projection balancing revenue and expenditure for several years to come. A broad objective of financial planning should aim at compelling government of a country to give adequate notice of its diverse political, social and economic intentions within the general framework of practical financial possibilities.

26. The effective functioning of government financial plan will have, therefore, to depend on continually reviewing the fundamental macroeconomic assumptions and the revenue calculations based on them. It should be readily adaptable to changing socio-economic conditions and requirements of individual countries. This means that a medium-term financial plan is only practically useful when it is conceived as a dynamic fiscal instrument than a static short-term legal device. Planning of financial resources must of necessity include "revolving planning" which should require successive annual revisions and prolongations. The skillful use of financial plans by governments of African countries through their budgetary administration and management will make the difference between success and failure of the implementation of AAF-SAP.

27. While it has been argued that there is need to integrate and harmonize the planning activities at various levels and to strengthen the macro-economic content of the plans, it has been observed that, for many years, planners and the financial managers hence tended to go their separate ways in a number of African countries. The macro-economic component of most national plans and programmes does contain projections of the main national accounts, often including some financial accounts. Yet, it has been noted that in a number of cases, plans are seldom reconciled with the annual budget, and that the capital budget, which in most countries is technically the responsibility of the planning agency, is seldom co-ordinated with the recurrent budget which is within the bailiwick of the Ministry of Finance. Therefore, there is need to blend the functions of planning and financial management, and the policy and programme control functions.

28. The mobilization of external financial resources is obviously also needed to supplement the scarce domestic funds available for implementing the adjustment process with transformation (AAF-SAP). Yet, the process is arduous in the situation and prevailing conditions of diwindling foreign official development assistance and increasing "donor fatigue". Furthermore, expertise and caution are required to avoid any further ballooning of the external debt. Effective debt management is also a related strategic issue which deserves a particular attention.

29. Whatever the resources available for implementing AAF-SAP - domestic or external - it is necessary to ensure that they are put to optimum use. Obviously, the main objective in this context is to increase production, thereby increasing employment and income. A high rate of capital formation has been generally linked to increased production and income. And the efficient management of the investment programme, including both the sectoral and the project level, is a crucial element of development planning and financial management. Generally, it is at the annual programming level that planning and budgeting are reconciled.

IV. MONITORING MECHANISMS

A. AAF-SAP Monitoring Indicators

30. In general, AAF-SAP monitoring systems should be designed to cater for the assessment of the main objectives, policies and targets for the programmes. Salient among the socio-economic indicators of AAF-SAP are:

(i) Food security: measured by food self-sufficiency ratios, food reserve stocks, food imports trends.

(ii) Economic and financial parameters: levels and structures of GDP per capita income, balance of payments), surpluses/deficit budget, government expenditures, prices, etc.

(iii) The satisfaction of basic needs: health, food and nutrition, education, housing and human settlement, and social services.

(iv) Collective self-reliance among African countries: intra-African trade, joint projects, number of African experts and technicians, etc.

(v) Popular participation in development: employment, equity, proportion of youth and women in labour force, etc.

(vi) Protection of the environment: afforestation; national parks, etc.

(vii) Economic and Financial Independence: domestic saving as percentage of investment , imports or exports as percentage of GDP, external debt as percentage of GDP, foreign capital in flows, etc.

31. It will be essential to organize systems for compilation and processing of information and data that will facilitate the assessment of the impacts of the programmes. It is imperative that AAF-SAP be reviewed and monitored regularly on the basis of those sets of socio-economic indicators so as to provide early warning against probable deviations from the goals of the programmes.

B. The need for adequate information systems

32. Since the 1970s in particular, structural adjustment programmes and economic development planning in Africa has run up against problems of inadequate information systems. A great deal of information escapes the statistical process, thereby hampering the regulatory, forecasting and decision-making processes. For example, many "grassroots" activities escape the Central Government planning machinery, because they rely on non-market modes of regulation. The informal sector or the underground economy - in rural as well as in urban areas - largely eludes the statistician. Many foreign trade, financial or technological flows go unrecorded. Unofficial foreign trade between African countries is at least twice as high as the official trade. Data on capital outflows are subject to very high margins of error. A great deal of information concerning the systems of production is very unreliable. Statistics on agricultural production or income distribution mechanisms associated with transfers are very uncertain.

33. These shortcomings of the information systems may be explained by the fact that the standardized information systems (census of productive activities, national accounts, etc.) appear to be poorly suited to describing the economic realities of African countries. Many categories - particularly those of the national accounts - are a very poor reflection of the diversity of production structures and their interrelations. In addition to data collection difficulties, many African countries have problems with the centralization, sorting, classification, storage and processing of data. Generally speaking, information is compartmentalized, opaque and poorly circulated. As a result of these constraints, the national accounts and the agricultural and population censuses are published very irregularly with several years of lag. Their poor reliability degrades the quality of economic forecasts, structural adjustment and planning which rely heavily on them.

34. Therefore, as spelt out in the UNF-SAP, there is need to organize national, subregional and regional data systems which facilitate the assessment and monitoring of the impact of adjustment with transformation programmes in such a way that they provide early warning about deviations from objectives and set goals. It, therefore, becomes absolutely necessary to design a means of quantitatively describing economies which simultaneously involve the production of goods and services and the use of such goods and services, especially the production structure (supply side) and the income generation, distribution and use (demand side) in such a way that changes in the latter (short-term demand management) bring about appropriate changes in the former (medium-term structural changes and economic development). The introduction of a social accounting matrix (SAM) in the planning models is designed to solve some of these problems. However, the difficulty in installing this statistical tool in the African countries stems from (1) the fact that SAM imposes substantial data demand and human and financial resources for data collection, processing and retrieval, although it remains a relatively flexible system adaptable to any economic system; (2) the need for household surveys and production censuses and the need for an institutional machinery to coordinate short-term forecasting

activities at the country level; and, (3) the need to create the national capabilities to manage the SAM-based computable general equilibrium models. The SAM-based planning methods take into account not only the short-term adjustment process but also the medium-term growth process as well as the distribution of that growth among various social groups.

C. Elements of AAF-SAP monitoring

35. As spelled out in the AAF-SAP document, the major objective of the monitoring process for adjustment with transformation programmes is the assessemnt of the extent to which objectives and targets are being achieved. Ideally all the main means of economic policy corresponding to the objectives and targets of the plan should be specified in the plan document, giving more substance in terms of precise targets, instruments and outcome in the first year of the rolling plan. Over the medium-term part of the plan, it may be possible only to provide a broad description of the policy mix measures required. To monitor such targets and objectives there should be an annual review of the performance of the agreed socio-economic indicators and their annual forecasts.

36. Thus, the annual review should give a comprehensive view of the progress made in the economy in both physical and financial terms. In this respect, the more important macro-economic aggregates should be examined in both terms: levels and structures. These include GDP, investment, savings, consumption, exports, imports, prices, balance of payments, employment, etc. The depth of the review will, of course, depend on the level of statistics available for the preceding year. That is why there is need to urgently up date macroeconomic data through estimation or forecast econometric method. If data is not available then a partial analysis, limited to evaluation of the public sector activities should be conducted. Furthermore, the annual review should also encompass sectoral developments, concentrating on selected large investment projects and important commodities. The latter analysis might include groups of commodities whose production and price trends need to be carefully monitored. Qualitative assessment of people standard of living and the extent of progress in meeting basic needs should also be undertaken.

37. The annual forecast should follow then the annual review in order to meet two major requirements. First, the mapping of the likely economic developments in the coming year, and second, to facilitate the selection of annual plan targets and objectives, within the framework of the medium-term plan. The annual review and the forecast should ideally be presented at the same time as the annual budget and refer to the same time frame. The forecasts should include economic resources available and uses estimates. A related set of government accounts would also be composed for public revenue, consumption, investment, and savings. The data compilation of the base year and the projection for the coming year of such an integrated set of accounts indicates the relationships between the over-all macro-economic resources picture, on the one hand, and the main contours of the government's revenue and expenditure budget on the other. Whatever the form of national economic budget constructed, its main function must indicate the inter-relationships between the government budget and over-all economic activity conceived in macroeconomic terms.

38. The forecasts, as indicated above, could be prepared on the basis of an eclectic approach or using econometric methods. The choice depend on the level of knowledge of the working of the economy, data availability, and the identification of stable economic relationships. In either case, a systematic presentation of the data in the form of national accounts (sources and uses of funds) is desirable, using either an expenditure or production approach. Under an expenditure based set of accounts, the analyses should be on the demand side, with separate forecasts for consumption (private and public), government expenditure, private investment, government investment, investment in stocks, exports and imports. A production based approach should use value added ratios to forecast production sector by sector of industrial origin.

39. Within the national economic budget - annual rolling plan - detailed forecasts could be prepared on financial resources available to the economy as a whole, to government (current and constant prices) and to the private sector. A flow of funds accounting framework would then record all the transactions in the economy carried out through a transfer of money. An ancilliary set of accounts which would allocate scarce foreign exchange between alternative uses would be expressed in an annual foreign exchange budget or balance of payments forecast which would start from a projection of export earnings, imports, net capital inflows (official and private), and likely and uses of foreign exchange. Among the key material balance that might be constructed would be those for essential inputs, such as electric power, water, construction materials, with estimates of domestic production and the import requirements.

40. The MULPOCs and the various subregional economic co-operation groupings (ECOWAS, CEEAC, PTA, etc) should pursue such an exercise at the subregional level while the ECA secretariat will do it at the regional level.

V. CONCLUSION

41. The "African Alternative Framework to Structural Adjustment Programmes" (AAF-SAP) pointed to the fact that structural change or reform or adjustment must be recognized as a long-term endeavour for which considerable flexibility is required if grave social disruption is to be avoided and that the strategy for achieving the desired adjustment or reform should come from within such country, in accordance with its need, priorities, and long-term development goals, this means that there is a need to integrate short-term reforms with medium or long-term plannings. The ECA secretariat is still searching for means and ways of effectively implementing structural adjustment with transformation through use of specific studies, training, advisory services and subregional exchanges of experiences.

42. Proposals designed to improve the operational, implementation and monitoring characteristics of such an integration approach of AAF-SAP would include: (1) the improvement of information systems in order to monitor the activities of the non-structural sector, minimize voluntary or involuntary errors or omissions in foreign trade and financial flows, and provide more

reliable and accurate socio-economic indicators; (2) the modification of planning methods to ensure a more effective co-ordination among the various ministries and decision-making bodies, in particular the coordination between the annual budget and the medium-term plan through the institution of the "hard core" of high priority for public decision-makers which offers adequate incentives to major national, subregional and international economic units; (3) the adoption of the Planning Programming Budgeting System (PPBS) method in which the plan has a sliding horizon and intertemporal choices are dictated by the employment/current resource balance of the government budget, (4) the short-term objectives and macroeconomic policy are used as a tool of checking and connecting medium-term policy management. To facilitate this process, a time-schedule for plan preparation, implementation and monitoring is indispensable. Experience from Africa (and elsewhere in developing world) suggests that solide information on the economic performance of the past year usually surfaces about mid way through the succeeding year. However, as soon as some indications of the economic outlook become available, the formulation of the objectives, strategy and broad dimensions of the coming year's annual rolling plan must be presented as guidelines to the agencies concerned with the working out of targets, programmes, projects and policy instruments for adjustment with transformation.